

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name St. Clair County Road Commission	County St. Clair
Audit Date 12/31/04	Opinion Date 2/11/05	Date Accountant Report Submitted to State: 6/24/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations. Report on Internal Control	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple PC			
Street Address 1979 Holland Avenue	City Port Huron	State MI	ZIP 48060
Accountant Signature 		Date 6/24/05	

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan
FOR THE YEAR ENDED DECEMBER 31, 2004**

Issued By

**Donald M. Maronde,
Managing Director**

**Greg A. Owens,
Director of Internal Services**

**Stewart,
Beauvais
& Whipple P.C.**

CERTIFIED PUBLIC ACCOUNTANTS



ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

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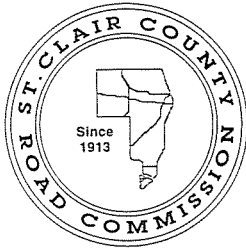
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SECTION ONE: INTRODUCTORY SECTION



COUNTY OF ST. CLAIR

ROAD COMMISSION • PUBLIC WORKS

21 Airport Drive • St. Clair, Michigan 48079-1404

Phone: (810) 364-5720 • Fax: (810) 364-9050

E-Mail: sccrc@mich.com • Website: <http://www.sccrc-roads.org>

COMMISSIONERS: William L. Blumerich, Kenneth C. Foerster, Timothy J. LaLonde

February 11, 2005

To the Board of County Road
Commissioners and Citizens
of St. Clair County

The comprehensive annual financial report of the St. Clair County Road Commission, a component unit of the County of St. Clair, Michigan for the year ended December 31, 2004 is hereby submitted as mandated by state statutes. These ordinances and statutes require that the St. Clair County Road Commission issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the St. Clair County Road Commission. All disclosures necessary to enable the reader to gain an understanding of the St. Clair County Road Commission's activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the St. Clair County Road Commission's principal and appointed officials. The financial section includes the basic financial statements and schedules, as well as the independent auditor's reports on these financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Generally accepted auditing principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Road Commission's MD&A can be found immediately following the report of the independent auditors.

The financial reporting entity (the Road Commission as legally defined) is a component unit of St. Clair County, Michigan. Component units are legally separate entities for which the primary government is financially accountable.

Profile of the Road Commission

The St. Clair County Road Commission was created by St. Clair County in accordance with Michigan statutes. Its primary purpose is to account for Michigan Transportation Fund revenues distributed to St. Clair County, and all other revenues provided for the construction and maintenance of primary and local roads within St. Clair County (exclusive of those located within Cities and Villages).

The St. Clair County Board of Commissioners appoints a three member Board of County Road Commissioners to oversee the operations of the Road Commission. The members are appointed to six-year terms, staggered so that one term expires every two years. The Board of County Road Commissioners is responsible for adopting a budget, appointing a chief executive officer and establishing policies it deems necessary to fulfill its obligations.

The County of St. Clair, organized as a County in 1837, consists of 700 square miles with approximately 164,000 residents and is located in the lower eastern central portion of Michigan's lower peninsula. The County Seat, the City of Port Huron, is located about sixty miles north of Detroit, Michigan. The County currently is affected by the unfavorable economic environment after having experienced a strong local economy for the past three years. The County's manufacturing and industrial base are primarily automotive related. Economic diversification has been accomplished, however, as the three largest employers are the school district, a utility and a health care facility. The County's unemployment rate has been near the State level for the past three years. The employed work force totals well over 75,000 and continues to grow.

Major Initiatives

*...Dedicated to providing effective, efficient, and responsive
services within available financial resources ...*

As our county continues to experience the opportunities and challenges of growth and development, our mission statement requires added dimension and resolve. Our accomplishments are made possible by our greatest resource, our officials and employees who provide dedication and diligence in the execution of our statutory duties. As we begin our 93rd year of service to our traveling public, our focus is shifting to attempting to meet increasing motorist needs.

Increased construction costs required us to re-evaluate the aggressiveness of our programs, especially those involving steel and asphalt components. Heavy rains in May required a shift in priorities as we expended in excess of \$700,000 to repair washed out roads and culverts. In spite of those unanticipated events, we continued to meet increasing infrastructure needs. Meaningful partnerships with our twenty-three township boards provided many opportunities for accomplishment. As a result, we were able to preserve or improve in excess of 30 miles of county roadway. The final section of M-21 reconstruction from M-19 to the county line was completed, resulting in an additional 22 miles of county primary road being added to the system. The annual County appropriation ultimately provided \$2.84 in local road services for each \$1.00 invested. This program resulted in the following achievements: 118,000 tons of aggregate patching, 6.38 miles of roadside ditching, 2.7 million gallons of chloride applied, 1.07 miles of pavement, 40 culverts replaced.

During the year we completed the initial phase of a rail crossing corridor study designed to bring relief to frequent crossing blockages in Port Huron and Kimball Townships. We look forward to the challenges necessary to secure funding for this very important project. We also assembled stakeholders for planning on the eventual reconstruction of 24th Street from Lapeer Road to the rail viaduct in Port Huron Township. This project ranks as one of the areas most necessary transportation improvement.

As we continue to meet growing motorist needs, new approaches to conducting business will need to be pursued. Increasing wage and benefit levels, external product price increases, and local revenue curtailments are outpacing transportation fund growth. A sense of entrepreneurship and ingenuity will need to be present in order for us to meet the diverse needs for services. As local road professionals, we believe we are up to the task.

Factors Affecting Financial Condition

The majority of resources provided to the Commission are generated locally and redistributed by the State of Michigan through the Michigan Transportation Fund (MTF). This fund is comprised of revenues from the state 19¢ per gallon gas tax, 15¢ per gallon diesel tax, vehicle registrations and driver license fees, and carrier taxes. Following a series of intergovernmental grant deductions approximating 13% of collections, the Commission receives its statutory share of the fund equaling 1.67%¹ of the county share of funds. While the MTF appears stable, revenues may be affected by variances in intergovernmental grants and/or variances in fuel usages.

The Commission also maintains close working partnerships with the 23 township boards in the county. A variety of matching programs designed to raise the level of local road system expenditures for improvement and routine maintenance efforts provided in approximately \$5 million during 2004. One source of these matching funds is state distributed revenue sharing. While the decrease of revenue sharing back to local units of government was somewhat limited this year, continued long term financial stress at the state level could result in ultimate reductions in resource allocation to an increasingly important local road system.

Financial Information

Management of the Road Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Road Commission are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that; (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the Road Commission is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

In addition, the Road Commission maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Road Commission's Board. Activities of the operating fund are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the activity level.

Cash Management Policies and Practices

The St. Clair County Treasurer provides investment services for the Road Commission. Cash temporarily idle during the year was invested in investment pools offered by commercial banks. The government earned interest revenue of \$59,113 on all investments for the year ended December 31, 2004.

¹ Per MDOT REPORT NO. 139, Jun 17, 2003

Risk Management

The Road Commission continues to be a leader in this area participating in State pools for property, liability and workers' compensation insurance. As part of this comprehensive plan, resources are being accumulated to meet potential losses. In addition, various control techniques, including employee accident prevention training, have been implemented during the prior years to minimize accident-related losses. Third-party coverage is also maintained for claims in excess of set amounts and all other potential losses. In order to further reduce the risk of effecting available funds for future road projects the Board of County Road Commissioners has designated \$200,000 to cover the deductibles on liability claims.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The Road Commission selected the firm Stewart, Beauvais & Whipple, PC CPAs. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's *Government Auditing Standards*. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Road Commission for the year ended December 31, 2003 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Road Commission's financial statements for the year ended December 31, 2004 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The auditor's report on the financial statements and schedules is included in the financial section of this report.

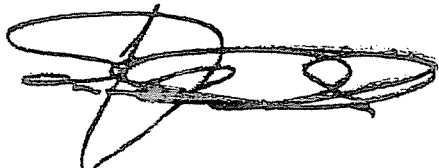
Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the St. Clair County Road Commission for its Comprehensive Annual financial Report (CAFR) for the year ended December 31, 2003. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. This is the fourth consecutive year the Road Commission received this prestigious award.

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the financial and administration department. We would especially like to express our appreciation to the accounting department, who assisted and contributed to the preparation of this report. Due credit also should be given to the Board of Road Commissioners for their interest and support in planning and conducting the operations of the Road Commission in a responsible and progressive manner.

Respectfully submitted,



Donald M. Maronde
Managing Director

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

LIST OF PRINCIPAL OFFICIALS

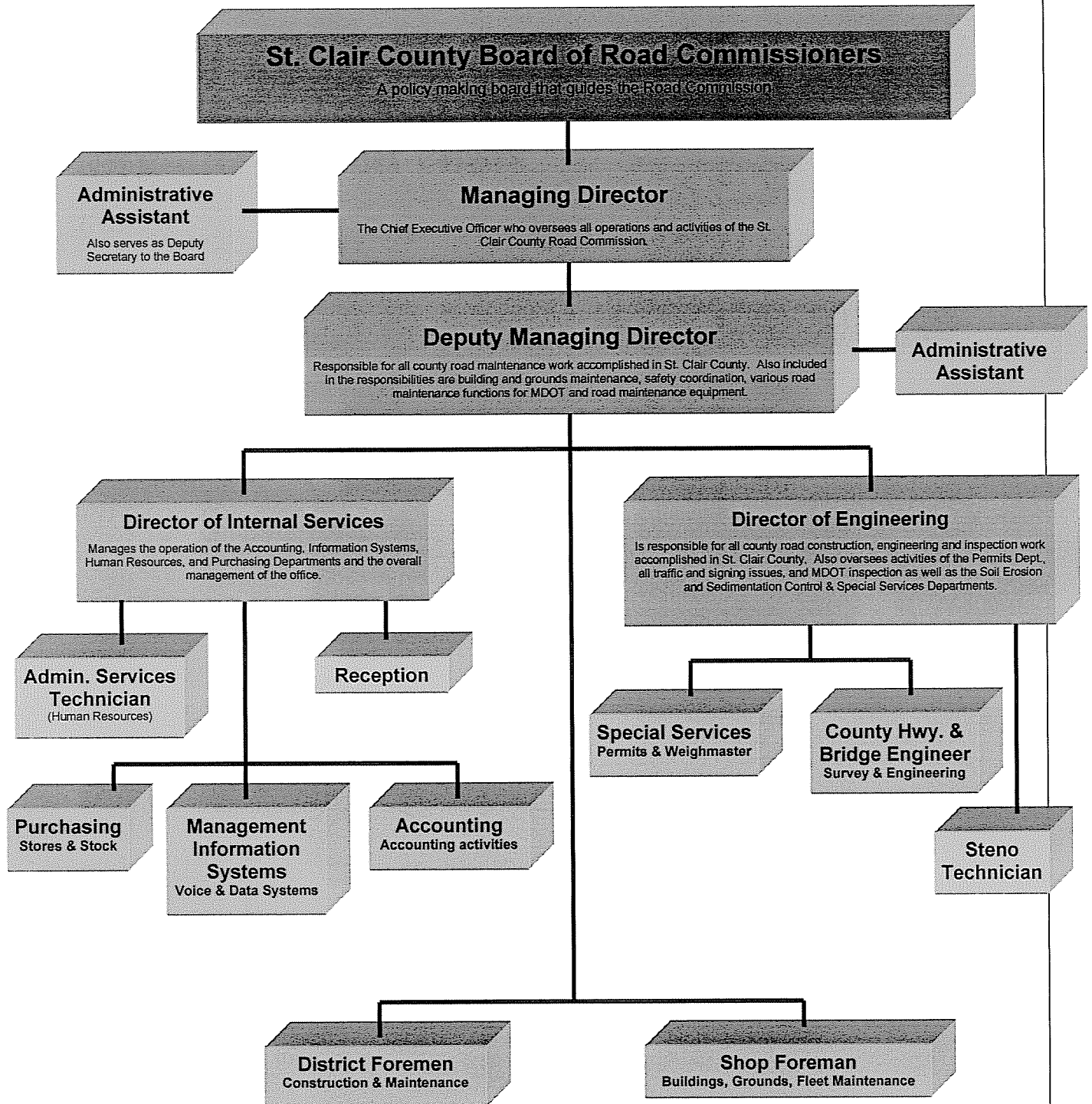
Board of County Road Commissions (3 members appointed to 6 year staggered terms by St. Clair County, Michigan Board of Commissioners):

<i>Chairperson</i>	<i>William L. Blumerich (2010)</i>
<i>Vice Chairperson</i>	<i>Kenneth C. Foester (2006)</i>
<i>Member</i>	<i>Timothy J. LaLonde (2009)</i>

Other principal officials (2004):

<i>Managing Director/ Secretary of the Board</i>	<i>Donald M. Maronde</i>
<i>Deputy Managing Director</i>	<i>Kirk Weston</i>
<i>Deputy Secretary of the Board</i>	<i>Sandra Clark</i>
<i>Director of Internal Services</i>	<i>Greg A. Owens</i>
<i>Director of Engineering</i>	<i>James R. Warner</i>
<i>County Highway and Bridge Engineer</i>	<i>Michael J. Clark</i>

organizational chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

St. Clair County
Road Commission, Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in cursive script, reading "Nancy L. Zielke".

President

A handwritten signature in cursive script, reading "Jeffrey R. Emer".

Executive Director

SECTION TWO: FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of County Road Commissioners
of St. Clair County
St. Clair, Michigan

We have audited the accompanying basic financial statements of the Road Commission of St. Clair County, Michigan, a component unit of St. Clair County, Michigan, as of December 31, 2004, and for the year then ended. These financial statements are the responsibility of the Road Commission management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Road Commission of St. Clair County, Michigan, as of December 31, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 11, 2005, on our consideration of the Road Commission of St. Clair County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the St. Clair County Road Commission. The schedules and tables on pages 29-46 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Road Commission of St. Clair County, Michigan. Such information, except for the portion marked "Unaudited" on which we express no opinion has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Stewart, Benoit Whipple".

Certified Public Accountants

February 11, 2005

ST. CLAIR COUNTY ROAD COMMISSION

A Component Unit of St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the St. Clair County Road Commission (the "Road Commission"), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Road Commission for the year ended December 31, 2004. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to provide a basis of understanding of the St. Clair County Road Commission's basic statements. These basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. Supplementary financial information and statistical tables are also provided for additional information purposes.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Road Commission finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Road Commission assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Road Commission is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

Unlike the government-wide financial statements, governmental financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Road Commission's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Road Commission's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the government-wide financial statements.

The St. Clair County Road Commission adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-28 of this report.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The net assets are separated into two major components, investment in capital assets net of debt and unrestricted net assets, which may be used to meet the ongoing obligations to citizens and creditors. The Road Commission's combined net assets increased 11% from a year ago. The increase is primarily due to the acceptance of M-21 into the County's primary road system from the State of Michigan.

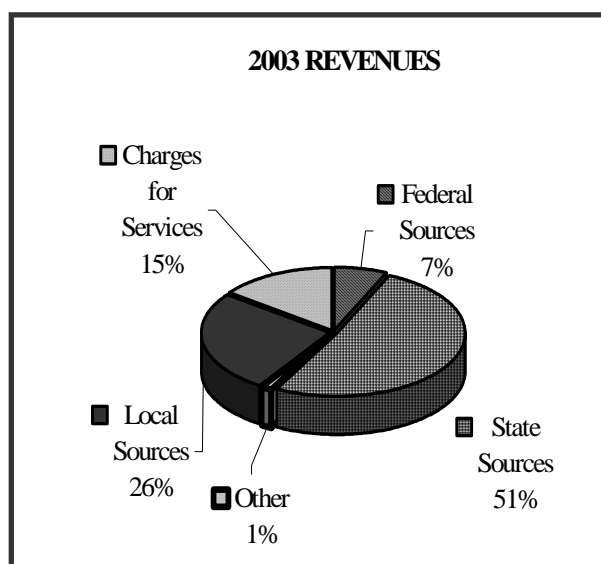
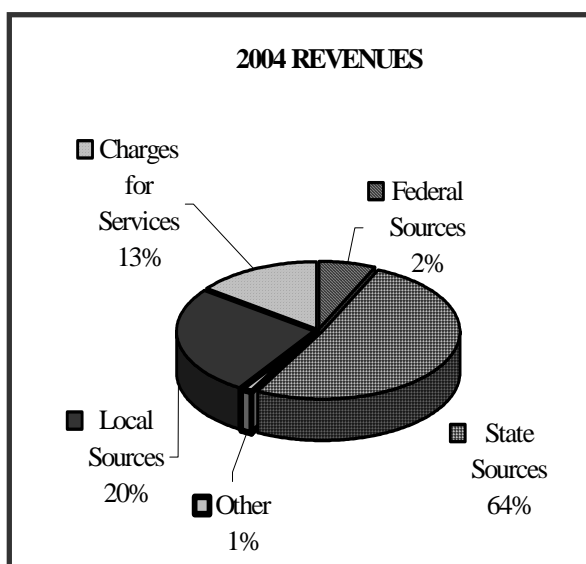
The table below shows a comparison of the net assets (in thousands of dollars) as of December 31, 2004 and 2003 in a condensed format.

	<u>2004</u>	<u>2003</u>
Current and other unrestricted assets	\$ 8,501.7	\$ 8,445.8
Capital assets	<u>96,896.0</u>	<u>87,639.8</u>
Total Assets	<u>105,397.7</u>	<u>96,085.6</u>
Long-term liabilities	(6,626.0)	(7,207.5)
Other liabilities	<u>(2,158.1)</u>	<u>(2,110.3)</u>
Total Liabilities	<u>(8,784.1)</u>	<u>(9,317.8)</u>
Net Assets		
Invested in capital assets-net of debt	90,681.0	80,834.8
Unrestricted	<u>5,932.6</u>	<u>5,933.0</u>
Total Net Assets	<u>\$ 96,613.6</u>	<u>\$ 86,767.8</u>

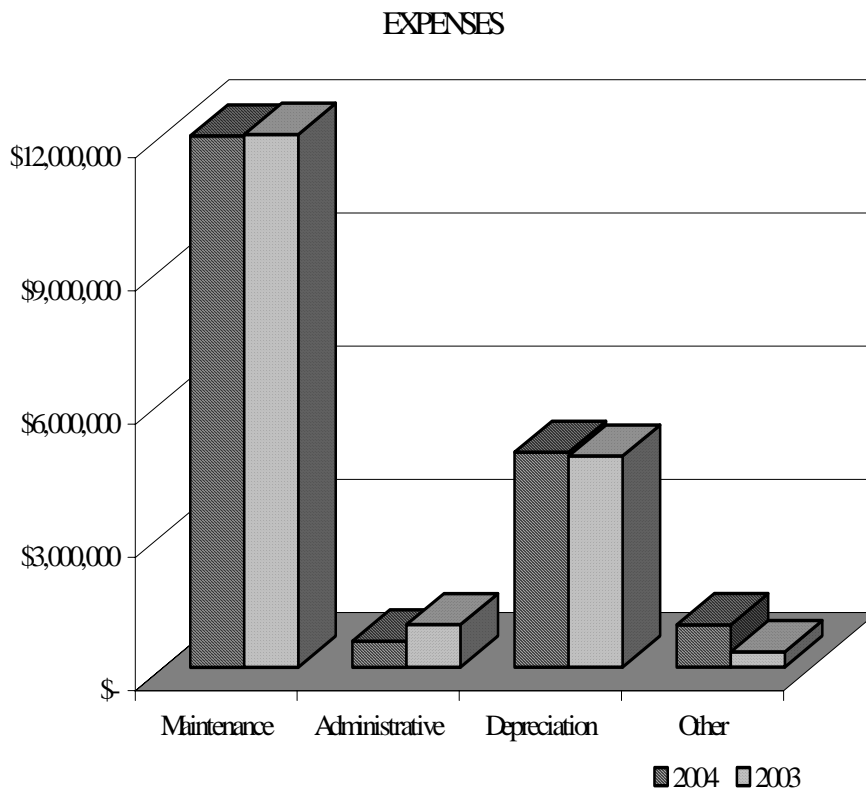
Statement of Activities

The following schedule compares the revenues and expenses (in thousands of dollars) for the current and previous fiscal years.

	<u>2004</u>	<u>2003</u>
Revenues		
Federal sources	\$ 643.3	\$ 1,459.1
State sources	17,873.3	11,031.3
Local sources	5,737.1	5,640.5
Charges for services	3,559.9	3,182.2
Other	<u>377.2</u>	<u>315.7</u>
Total Revenues	<u>28,190.8</u>	<u>21,628.8</u>
Expenses		
Maintenance	11,966.5	12,291.7
Administrative	585.4	955.8
Depreciation	4,838.0	4,749.9
Other	<u>955.2</u>	<u>338.4</u>
Total Expenses	<u>18,345.1</u>	<u>18,335.8</u>
Change in Net Assets	9,845.7	3,293.0
Prior Period Adjustment	-	10,538.8
Net Assets - Beginning of Year	<u>86,767.8</u>	<u>72,936.0</u>
Net Assets - End of Year	<u><u>96,613.5</u></u>	<u><u>86,767.8</u></u>



As shown in the preceding table comparing 2004 and 2003 Statement of Activities amounts, total revenue increased by \$6,562 thousand or 30% due to the transfer of M-21 from the State of Michigan to the County. The largest change between the types of revenue also reflects this jurisdictional transfer as the State Sources revenue increased by over \$6 million.



Total expenses remained fairly consistent between the years. A decrease of administrative expense and an increase in other expenses were the most significant changes between the types of expenditures. The administrative expense decreased due to a reevaluation of where employees charge their time based on actual duties. The other expense increased due to a reclassification of expenses this year as well.

Government Funds Financial Analysis

As noted earlier, the focus of the fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Road Commission's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Road Commission reported an ending fund balance of \$6,170,460, a decrease of only \$22,019 from the prior year. Approximately 97% or \$5,972,575 of the fund balance constitutes unreserved fund balance, which is available for spending at the Road Commission's discretion; however, \$1,599,859 is designated as the local share of special projects, \$154,988 is designated for equipment purchases, and \$200,000 is designated for contingencies, leaving \$4,017,728 undesignated and unreserved at the end of 2004.

BUDGETARY HIGHLIGHTS

The total difference between the original budget and the final amended budget was an increase in appropriations of approximately \$11 million. Detail of the original budget, amended budget, and actual amounts may be seen on page 11 of the financial section.

Some of the larger appropriation variances from original to final budget are described below:

- Local construction appropriations increased by \$1.7 million due to an end of the year entry to record subdivision roads accepted into the County's road system where private companies performed the work; this entry also increased the local sources revenue by the same amount.

- Primary construction expenditures and State sources revenue increased by \$6.1 million to reflect the addition of the first section of M-21 into the County's infrastructure.
- The local maintenance appropriation increased by about \$1.2 million due to Townships requesting additional maintenance projects be performed through the match money program. Local revenues also increased due to this additional activity as either a portion or all of the costs of the additional maintenance are billed to the Townships.
- Capital outlay appropriations increased primarily due to equipment purchases that were ordered in 2003, but not the property of the Road Commission until 2004 and not included in the original 2004 budget.
- The state maintenance expenditures (and offsetting charges for services revenue account) increased by \$825,000 due to additional work performed on State contracted roads and special projects performed on behalf of the State.

The variance between the final budget and the actual amounts was within \$152,514 for total revenues and expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of year end, the Road Commission had \$96,895,974 invested in capital assets (net of accumulated depreciation) as reflected in the following schedule, representing an increase of over 10% or \$9,256,170.

	<u>2004</u>	<u>2003</u>
Land	\$ 65,629	\$ 80,829
Land Improvements	27,596,659	25,728,466
Right of Ways	1,184,033	1,171,533
Buildings & Improvements	2,417,585	2,504,074
Equipment	2,561,613	2,630,357
Depletable Assets	117,113	117,113
Infrastructure	<u>62,953,342</u>	<u>55,407,432</u>
Total	<u><u>\$ 96,895,974</u></u>	<u><u>\$ 87,639,804</u></u>

Major capital asset events during the current fiscal year included the following:

- Reconstruction of a curve on Capac Rd.
- Widening of three intersections on Marine City Highway
- Reconstruction of .79 miles on Gratiot
- Replacement and approach improvements of Rattle Rund Rd. over Pine River bridge
- Acceptance of the first section of M-21 into the County's infrastructure
- Various equipment purchases the most significant being a grader, a loader, one tandem axle dump truck, and three tractors

The Road Commission also adopted a capital asset policy during 2004, increasing the cutoff for capitalization of non-road equipment from \$250 to \$1,000.

Long-Term Liabilities – At the end of the current year, the Road Commission had total bond and note debt outstanding of \$ 6,215,000. The debt is backed by the full faith and credit of St. Clair County. Additional information on the Road Commission's long-term liabilities may be found in Note 11 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Road Commission major revenue streams continue to be stable. Long-term state fiscal crises could, however, affect local abilities to provide increased demands for routine maintenance services. Long-term crises could also affect cost sharing programs currently in effect with township transportation partners and may also extend to reduction or elimination of an annual county appropriation for local road services. Legislative relief in terms of sharing the 1¢ per gallon gas tax bridge set-aside will provide additional resources to replace aging bridges.

Our 2005 budget is programmed for across the board, reduced revenues. Expenditures will increase due, in part, to increased internal salary and benefit levels and increased external levels of material costs and bridge replacement expenditures. It is anticipated our fund equity will decrease by \$192,000 by the end of 2005.

CONTACTING THE ST. CLAIR COUNTY ROAD COMMISSION'S MANAGEMENT

This financial report is designed to provide a general overview of the Road Commission's finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the St. Clair County Road Commission, 21 Airport Drive, St. Clair, Michigan 48079.

BASIC FINANCIAL STATEMENTS

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Governmental Fund	Adjustments (Note 2)	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 3,482,625	\$ -	\$ 3,482,625
Due from other governmental units -			
State	2,191,322	-	2,191,322
Local	1,150,239	-	1,150,239
Due from other component units	92,316	-	92,316
Due from primary government	127,793	-	127,793
Accounts receivable	19,012	-	19,012
Prepaid items	197,885	-	197,885
Inventory	1,152,795	-	1,152,795
Deposit-Health Insurance	87,759	-	87,759
Capital assets, net of accumulated depreciation			
Assets being depreciated	-	68,049,653	68,049,653
Assets not being depreciated	-	28,846,321	28,846,321
Total Assets	<u>\$ 8,501,746</u>	<u>\$ 96,895,974</u>	<u>\$ 105,397,720</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts payable	\$ 502,932	\$ -	\$ 502,932
Contractor's retention payable	50,786	-	50,786
Accrued liabilities	339,696	-	339,696
Accrued interest payable	-	114,305	114,305
Due to other governmental units	20,580	-	20,580
Advances and deposits	1,129,851	-	1,129,851
Deferred revenue	287,441	(287,441)	-
Noncurrent Liabilities:			
Due within one year	-	940,167	940,167
Due in more than one year	-	5,685,833	5,685,833
Total Liabilities	<u>2,331,286</u>	<u>6,452,864</u>	<u>8,784,150</u>

Fund Balance:

Fund Balance -			
Reserved -			
Prepaid items	197,885	(197,885)	-
Unreserved -			
Designated	1,954,847	(1,954,847)	-
Undesignated	4,017,728	(4,017,728)	-
Total Fund Balance	<u>6,170,460</u>	<u>(6,170,460)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 8,501,746</u>		

Net Assets:

Invested in capital assets, net of related debt	90,680,974	90,680,974
Unrestricted	5,932,596	5,932,596
Total Net Assets	<u>\$ 96,613,570</u>	<u>\$ 96,613,570</u>

See Notes to Financial Statements

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund	Adjustments (Note 2)	Statement of Activities
Revenues:			
Permits	\$ 178,579	\$ -	\$ 178,579
Intergovernmental -			
Federal sources	643,311	-	643,311
State sources	17,873,320	-	17,873,320
Local sources	5,717,473	19,600	5,737,073
Charges for services	3,559,912	-	3,559,912
Interest and rents	59,113	-	59,113
Other	139,502	-	139,502
Total Revenues	<u>28,171,210</u>	<u>19,600</u>	<u>28,190,810</u>
Expenditures/Expenses:			
Current -			
Primary Construction	6,096,293	(6,096,293)	-
Local construction	1,770,267	(1,770,267)	-
Primary heavy maintenance	3,637,983	(3,637,983)	-
Local heavy maintenance	1,602,373	(1,602,373)	-
Primary maintenance	3,538,907	(8,931)	3,529,976
Local maintenance	4,936,180	(12,330)	4,923,850
State maintenance	3,512,654	-	3,512,654
Administrative	651,714	(66,268)	585,446
Equipment operations	3,412,550	(1,056,068)	2,356,482
Less equipment rental			
charged to other activities	(2,811,832)	-	(2,811,832)
Depreciation	-	4,838,033	4,838,033
Other	1,054,195	66,722	1,120,917
Capital Outlay	1,054,188	(1,054,188)	-
Less: depreciation credit			
and retirements	(1,152,276)	1,152,276	-
Debt Service -			
Principal	590,000	(590,000)	-
Interest	300,033	(10,469)	289,564
Total Expenditures/Expenses	<u>28,193,229</u>	<u>(9,848,139)</u>	<u>18,345,090</u>
Excess of revenues over (under) expenditures/expenses	(22,019)	9,867,739	9,845,720
Fund Balance/Net Assets at January 1, 2004	<u>6,192,479</u>	<u>80,575,371</u>	<u>86,767,850</u>
Fund Balance/Net Assets at December 31, 2004	<u><u>\$ 6,170,460</u></u>	<u><u>\$ 90,443,110</u></u>	<u><u>\$ 96,613,570</u></u>

See Notes to Financial Statements

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Permits	\$ 175,000	\$ 175,000	\$ 178,579	\$ 3,579
Intergovernmental -				
Federal sources	1,673,500	770,000	643,311	(126,689)
State sources	10,384,000	17,684,000	17,873,320	189,320
Local sources	2,600,000	5,775,000	5,717,473	(57,527)
Charges for services	2,716,000	3,541,000	3,559,912	18,912
Interest and rents	100,000	100,000	59,113	(40,887)
Other	175,000	175,000	139,502	(35,498)
Total Revenues	<u>17,823,500</u>	<u>28,220,000</u>	<u>28,171,210</u>	<u>(48,790)</u>
Expenditures:				
Current -				
Primary Construction	-	6,100,000	6,096,293	3,707
Local construction	-	1,775,000	1,770,267	4,733
Primary heavy maintenance	3,485,525	3,650,000	3,637,983	12,017
Local heavy maintenance	1,365,000	1,605,000	1,602,373	2,627
Primary maintenance	3,550,000	3,575,000	3,538,907	36,093
Local maintenance	3,685,000	4,974,500	4,936,180	38,320
State maintenance	2,716,000	3,541,000	3,512,654	28,346
Administrative	1,152,000	672,500	651,714	20,786
Equipment operation	2,800,000	3,425,000	3,412,550	12,450
Less equipment rental charged to other activities	(2,900,000)	(2,900,000)	(2,811,832)	(88,168)
Other	700,000	1,100,000	1,054,195	45,805
Capital Outlay - net	(226,750)	(13,500)	(98,088)	84,588
Debt Service	889,458	890,033	890,033	-
Total Expenditures	<u>17,216,233</u>	<u>28,394,533</u>	<u>28,193,229</u>	<u>201,304</u>
Excess of revenues over (under) expenditures	607,267	(174,533)	(22,019)	152,514
Fund Balance at January 1, 2004	<u>6,192,479</u>	<u>6,192,479</u>	<u>6,192,479</u>	<u>-</u>
Fund Balance at December 31, 2004	<u>\$ 6,799,746</u>	<u>\$ 6,017,946</u>	<u>\$ 6,170,460</u>	<u>\$ 152,514</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the St. Clair County Road Commission, a component unit of the County of St. Clair, Michigan, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The more significant accounting policies are described as follows:

A. Description of Road Commission Operations –

The St. Clair County Road Fund, referred to as the Road Commission, is a Component Unit of the County of St. Clair, Michigan, and is used to control the expenditure of revenues from the State distribution of gas and weight taxes, federal awards, reimbursements from the Department of State Highways for work performed by the County on State trunklines and contributions from other local units of government (townships) for work performed by the Road Commission work force. The Road Fund is the only fund of the Road Commission.

The Road Commission which is established pursuant to the County Road Law (MCL224.1) operates under a Board appointed by the County Board of Commissioners, of three (3) County Road Commissioners who establish policies and review operations of the Road Commission. The Road Commission provides services to twenty-three (23) Townships in St. Clair County and maintains over 1,700 miles of state, local and primary roads.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation –

The government-wide financial statement columns (i.e., statement of net assets and statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

C. Assets, Liabilities, and Fund Balance or Net Assets –

Cash and Cash Equivalents – The Road Commission's cash and cash equivalents are cash on hand, demand deposits and pooled investment funds which are recorded at cost, which approximates fair value.

Inventories – Inventories of road materials and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are stated at the lower of average cost or market.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Prepaid Items – Certain payments to vendors (particularly for insurance coverage) reflect costs that are applicable to a future period and are recorded as prepaid items.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure are reported in the government-wide (statement of net assets) financial statements. Capital assets for land, buildings and improvements and all equipment except road equipment are defined by the Road Commission as assets with a purchase price greater than \$1,000 and an estimated useful life in excess of 1 year. Road equipment is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum cost. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are recorded in the governmental fund statements as capital expenditures at the time of purchase.

Depreciation is computed on the sum-of-the-years digits method for road equipment, and straight-line method for all other capital assets over the estimated useful life of the related asset.

The estimated useful lives are as follows:

Buildings and Improvements	20-50 years
Equipment	4-20 years
Roads	8-30 years
Bridges	25-50 years
Traffic Signals	15 years

Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals which are required to be reported despite the date of purchase. Roads are removed from the capital assets at the time the group of individually recorded roads have been fully depreciated.

Depletion is calculated as the amount of prorated cost or other indicated value assigned to the extracted portion of a natural resource (gravel).

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation and depletion in the governmental fund statements as a charge to various expenditures accounts, and a credit to a depreciation/depletion credit account. Accordingly, the annual depreciation/depletion expenditures do not affect the available operating equity of the governmental fund statements.

Accrued Vacation and Sick Pay – In accordance with contracts negotiated with the various employee groups, individual employees have a vested right upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. All amounts vested are accrued in the government-wide statements (statement of net assets).

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Deferred Revenues – In both the government-wide and the fund financial statements revenue received or recorded before earned is recorded as deferred revenue. In addition, in the governmental fund statements revenues that are not both measurable and available are recorded as deferred revenues.

Advances From The State of Michigan – The State of Michigan advances funds on a State maintenance agreement it has with the St. Clair County Road Commission for specified maintenance which the Road Commission will perform during the year and for equipment purchased and used in performance of the specified maintenance. These advances are considered current liabilities because they are subject to repayment annually upon audit by the State of Michigan.

Equipment Rentals – The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated to the various activities. The effect of this allocation is offset to equipment expenditures/expenses.

Long-Term Obligations – In the government-wide financial statements (statement of net assets), long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. As permitted by GASB Statement No. 34, the Road Commission has elected to apply the provisions related to bond premiums discounts, and issuance costs on a prospective basis.

Fund Equity – Designation of fund balance represents tentative management plans that are subject to change.

Estimates - In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

- A.** Explanation of differences between the governmental fund statement and the government-wide statement of net assets (Page 9).

Fund Balance – governmental fund	\$ 6,170,460
Capital assets used in the governmental fund activities that are not financial resources and therefore not reported in the governmental fund financial statements	
Add – capital assets	143,117,609
Deduct – accumulated depreciation	(46,221,635)

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (cont’d):

Long-term liabilities that are not due in the current period therefore not reported in the governmental fund statements	\$ (6,626,000)
Accrued interest payable on long-term liabilities not reported in the governmental fund statements	(114,305)
Revenues that have been deferred in the governmental fund statements because they are not “available”	<u>287,441</u>
Net Assets	<u>\$ 96,613,570</u>

- B.** Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities (Page 10).

Excess of revenues under expenditures - governmental fund statement	\$ (22,019)
The governmental fund statements report capital outlay as expenditures, however, in the government-wide Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense	
Add – capital outlay and infrastructure	14,161,106
Deduct – retirements	(181)
Deduct – depreciation	(4,838,033)
Deduct – loss on disposal	(66,722)
Revenues are deferred in the governmental fund statements because they do not provide current financial resources that are reported in the government-wide Statement of Activities	19,600
Principal payments on long-term liabilities are reported as an expenditure in the governmental fund statements, but not in the government-wide Statement of Activities (where it reduces the long-term liability)	590,000

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (cont’d):

Interest expense adjustment for accrual reported in the government-wide Statement of Activities when the liability is incurred and reported in the governmental fund statements only when payment is due	\$ 10,469
Some expenses reported in the government-wide Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund	
Deduct - Increase in accrued claims	(62,000)
Add - Decrease in accrued sick and vacation	<u>53,500</u>
Change in Net Assets	<u>\$ 9,845,720</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Auditing and Reporting –

The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States as described in the Independent Auditor's Report, but, also with the standards as provided in Act No. 71 of Public Acts of 1919, Section 21.41 of the Michigan Compiled Laws.

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as described in the Independent Auditor's Report, but also with applicable rules of the Michigan State Department of Transportation.

Budgetary Compliance –

The Director of Internal Services prepares from data submitted by the administrative staff a proposed operating budget for the calendar year commencing January 1. The operating budget includes proposed expenditures and resources to finance them.

The budget for the General Operating Fund is adopted on the modified accrual basis which is consistent with accounting principles generally accepted in the United States of America.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont’d):

Prior to May 1, the proposed budget is presented to the Board of County Road Commissioners. The Board holds a public hearing in October or November and may add to, subtract from, or change appropriations. The budget is then legally enacted through passage of a Board of County Road Commissioner’s Resolution. The budget is approved at the activity level by the Board of County Road Commissioners.

Expenditures may not exceed appropriations at the activity level. The managing director has been granted the authority by the Board of County Road Commissioners to amend the budget up to 10% of the activity amount. Budgetary control is exercised at the activity level. Individual amendments were material in relation to the original appropriation.

The Road Commission does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year end.

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a governmental unit shall not incur expenditures in excess of the amount appropriated at the legally adopted level and has not provided authority to amend the budget after year end. During the year ended December 31, 2004, the Road Commission amended the budget after year-end thus had no over-expenditures as reported on the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

NOTE 4 - DEPOSITS AND INVESTMENTS:

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain the cash of the Road Commission. All Road Commission receipts are deposited with the St. Clair County Treasurer's Office, and in order to make disbursements, the St. Clair County Road Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. Also, in order to invest cash, a request is made to the County Treasurer.

St. Clair County is authorized through its investment policy, which is in accordance with Act 20 PA 1943 as amended by Act 196 PA 1997, to invest the Road Commission surplus funds in the following types of investments:

- a) In bonds, securities and other direct obligations of the United States or an agency or instrumentality of the United States.
- b) In certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.
- c) In the United States government or federal agency obligations repurchase agreements.
- d) In bankers acceptances of United States banks.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 4 - DEPOSITS AND INVESTMENTS - (cont'd):

- e) In obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- f) In investment pools organized under the surplus funds investment act, 367 of 1982.
- g) In investment pools organized under the local government investment pool act, 121 of 1985.

Deposits -

As a component unit of St. Clair County, all Road Commission cash and cash equivalents are a part of the accounts maintained by St. Clair County at banking institutions insured by federal depository insurance. However, the Road Commission by State statute has funds allocated to it by the State of Michigan for its exclusive use and control. As a result, funds of the Road Commission have separate insurance coverage.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

The Road Commission's deposits consist of demand accounts. At December 31, 2004, the carrying amount of the Road Commission's deposits is \$2,731,207, and the bank balance is \$2,812,313, \$100,000 of which is insured by FDIC.

Due to significantly higher cash flow at certain periods during the year, the amount the Road Commission held as Cash and Cash Equivalents is significantly higher at these peak periods than at year end.

The Road Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution and assesses the level of risk. The County uses only those financial institutions with an acceptable estimated risk level as depositories.

Investments –

The Road Commission at December 31, 2004 held \$751,168 in financial institution investment pools that are not evidenced by securities that exist in physical or book entry form. The investment pool accounts are registered with the Securities and Exchange Commission and the fair value of the

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 4 - DEPOSITS AND INVESTMENTS - (cont'd):

County's portion in the investment pools is the same as the value of the investment pool shares. The investment pools have been reported in the financial statements as a cash equivalent because they have the general characteristics of demand deposit accounts in that the County may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty. The investment pools are recorded at cost which approximates fair value.

The following is a summary of the financial statement presentation of Deposits and Investments at December 31, 2004:

	<u>Financial Reporting</u>
	<u>Cash & Cash</u>
	<u>Equivalents</u>
Deposits	\$ 2,731,207
Investments	<u>751,168</u>
	<u>\$ 3,482,375</u>

The caption cash and cash equivalents on the Balance Sheet also includes \$250 in petty cash.

NOTE 5 – DUE FROM OTHER GOVERNMENTAL UNITS:

Due from other government units as of December 31, 2004 consists of the following:

State –	
Motor Vehicle Highway Funds	\$ 1,701,131
Trunkline Maintenance	357,930
Transportation Department – Other	<u>132,261</u>
	<u>2,191,322</u>
Local –	
Township road agreements	943,790
Township Bikepath	160,974
Others	<u>45,475</u>
	<u>1,150,239</u>
	<u>\$ 3,341,561</u>

The governmental fund statements report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Both the government-wide and governmental fund statements defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current year deferred revenue in the governmental fund consisted of Township road agreement and other township receivables in the amount of \$287,441 that are considered to be unavailable at December 31, 2004.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 6 - COMPONENT UNIT RECEIVABLE BALANCE:

The receivable balance described as Due From Other Component Units on the Balance Sheet/Statement of Net Assets reflects amounts owed the Road Commission by other component units of St. Clair County. These amounts represent short-term obligations on open accounts for office rental, office maintenance, labor, fringe benefits, etc. and not current portions of long-term loans. The following is a summary of the Due From Other Component Units balance at December 31, 2004:

<u>St. Clair County Component Units -</u>	<u>Amount</u>
Department of Public Works -	
Revolving	\$ 36,629
Waste Water Treatment Plant	43,975
Utility Operation & Maintenance Receiving	918
Drain Commission	10,022
Airport	<u>772</u>
	<u>\$ 92,316</u>

NOTE 7 – INVENTORIES:

The inventory balance of \$1,152,795 at December 31, 2004 consisted of \$833,326 of road materials and \$319,469 of equipment parts and materials.

NOTE 8 – CAPITAL ASSETS:

Capital assets activity for the current year was as follows:

	Balance January 1, 2004	Additions	Deletions	Adjustments/ Removals	Balance December 31, 2004
Capital Assets, not being depreciated –					
Land	\$ 80,829	\$ 1,300	\$ -	\$ (16,500)	\$ 65,629
Land improvements	25,728,466	1,868,193	-	-	27,596,659
Right of Ways	<u>1,171,533</u>	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>1,184,033</u>
Total Capital Assets, not being depreciated	<u>26,980,828</u>	<u>1,881,993</u>	<u>-</u>	<u>(16,500)</u>	<u>28,846,321</u>
Capital Assets, being depreciated –					
Buildings and improvements	4,357,020	56,664	-	16,500	4,430,184
Road Equipment	9,764,390	931,985	217,501	-	10,478,874
Shop Equipment	665,084	49,100	4,651	(94,293)	615,240
Office Equipment	705,953	9,958	314,915	(141,042)	259,954
Engineering equipment	322,279	5,181	22,660	(48,345)	256,455
Infrastructure –					
Roads	63,303,112	10,270,136	-	(1,633,505)	71,939,743
Bridges	24,844,600	952,004	-	(48,492)	25,748,112
Traffic signals	375,186	4,085	-	-	379,271
Depletable assets –					
Gravel pits	<u>163,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,455</u>
	<u>104,501,079</u>	<u>12,279,113</u>	<u>559,727</u>	<u>(1,949,177)</u>	<u>114,271,288</u>

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 8 – CAPITAL ASSETS – (cont'd):

	Balance January 1, 2004	Additions	Deletions	Adjustments/ Removals	Balance December 31, 2004
Less – accumulated depreciation for –					
Buildings and improvements	\$ 1,852,946	\$ 159,653	\$ -	\$ -	\$ 2,012,599
Road Equipment	7,508,296	950,147	(216,261)	-	8,242,182
Shop Equipment	567,709	(46,237)	(5,568)	(74,178)	441,726
Office Equipment	547,979	64,396	(307,017)	(118,459)	186,899
Engineering Equipment	203,365	29,759	(20,080)	(34,941)	178,103
Infrastructure –					
Roads	22,936,834	3,151,243	-	(1,633,505)	24,454,572
Bridges	9,988,540	510,811	-	(48,492)	10,450,859
Traffic signals	190,092	18,261	-	-	208,353
Depletable Assets	<u>46,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,342</u>
	<u>43,842,103</u>	<u>4,838,033</u>	<u>548,926</u>	<u>(1,909,575)</u>	<u>46,221,635</u>
Total Capital Assets, being depreciated, net	<u>60,658,976</u>	<u>7,441,080</u>	<u>10,801</u>	<u>(39,602)</u>	<u>68,049,653</u>
Governmental activity capital assets, net	<u>\$ 87,639,804</u>	<u>\$ 9,323,073</u>	<u>\$ 10,801</u>	<u>\$ (56,102)</u>	<u>\$96,895,974</u>

The State of Michigan does not allow depreciation to be recorded in the governmental fund statements on salt barn construction cost reimbursed by the State. However, the depreciation of \$5,623 on the salt barn is recorded in the government-wide statement of activities. Total depreciation for the year ended December 31, 2004 was \$4,838,033.

NOTE 9 - FEDERAL AWARDS:

It is required by the Michigan Department of Transportation (MDOT) that Road Commissions report total federal awards for Highway Research, Planning and Construction pertaining to their County. However, only the federal awards applicable to force account expenditures are required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by MDOT.

During the year ended December 31, 2004, the Road Commission of St. Clair County had less than \$500,000 of force account expenditures applicable to federal awards (local force revenue). As a result, an audit for compliance under the Single Audit Act has not been performed.

Of the total federal revenues of \$643,311, the amount of \$642,630 represent the Department of Transportation Federal Highway grant money expended on public road improvement projects which were administered by the Michigan Department of Transportation, however, are required to be reported by the Road Commission.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 10 – ADVANCES AND DEPOSITS:

Advances of \$1,129,851 at December 31, 2004, represent money advanced by the State of Michigan under the maintenance contract the Road Commission has with the State, money advanced by the State for equipment purchases, and advances from Townships, contractors and individuals for various projects. Both State advances are adjusted annually by the State and must be repaid if the maintenance contract is canceled. The following is a summary of the balance by source and use:

State -	
Trunkline maintenance	\$ 251,346
Equipment	<u>577,528</u>
	828,874
Local -	
Other Governmental Units -	
Township advances	31,824
Contractors and Individuals –	
Permits	<u>269,153</u>
	<u>\$1,129,851</u>

NOTE 11 - LONG-TERM LIABILITIES:

The following is a summary of the changes in long-term liabilities of the Road Commission for the year ended December 31, 2004:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due Within One Year
Bonds and Notes Payable:					
MTF Bonds – Series 1999	\$ 4,805,000	\$ -	\$ 340,000	\$ 4,465,000	\$ 355,000
MTF Notes – Series 2001	<u>2,000,000</u>	<u>-</u>	<u>250,000</u>	<u>1,750,000</u>	<u>250,000</u>
Total Bonds & Notes Payable	<u>6,805,000</u>	<u>-</u>	<u>590,000</u>	<u>6,215,000</u>	<u>605,000</u>
Other Liabilities –					
Accrued sick & vacation	402,500	454,000	507,500	349,000	273,167
Accrued claim liability	<u>-</u>	<u>62,000</u>	<u>-</u>	<u>62,000</u>	<u>62,000</u>
Total Liabilities	<u>402,500</u>	<u>516,000</u>	<u>507,500</u>	<u>411,000</u>	<u>335,167</u>
	<u>\$ 7,207,500</u>	<u>\$ 516,000</u>	<u>\$1,097,500</u>	<u>\$ 6,626,000</u>	<u>\$ 940,167</u>

Significant details regarding outstanding long-term liabilities are presented below:

MTF Bonds – Series 1999 –

The County of St. Clair, Michigan issued \$6,000,000 of Michigan Transportation Fund Bonds, Series 1999, dated June 1, 1999 pursuant to the provision of Act 51, Public Acts of Michigan of 1951, as amended. The Bonds are issued in anticipation of and are payable from monies derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 51.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 11 - LONG-TERM LIABILITIES – (cont'd):

As additional security for the payment of the principal of and interest on the Bonds, in the event and to the extent that Michigan Transportation Fund money is not sufficient to pay such principal and interest, the County is obligated to advance from its general fund money sufficient to pay such principal and interest. The County does not have the power to levy taxes to pay principal of and interest on the bonds over and above its authorized tax rate established pursuant to law. To the extent such an advance is made from the County's general fund, the general fund shall be reimbursed from the first subsequent revenues received by the Road Commission from Michigan Transportation Fund money not pledged or required to be set aside and used for the payment of bonds or notes of other evidence of indebtedness.

The Bonds maturing on or prior to August 1, 2009 shall not be subject to redemption prior to maturity. Bonds maturing on or after August 1, 2010 shall be subject to redemption prior to maturity at the option of the County, in such order as shall be determined by the County, on any one or more interest payment dates on or after August 1, 2009. Bonds of a denomination greater than \$50,000 may be partially redeemed in the amount of \$5,000 or any integral multiple thereof. If less than all of the Bonds maturing in any year are to be redeemed, the bonds or portions of bonds to be redeemed shall be selected by lot. The redemption price shall be the par value of the bonds or portion of the bonds called to be redeemed plus interest to the date fixed for redemption.

Principal on the bonds is due on August 1, 2005 through 2014 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 4.375% to 4.95%.

MTF Notes – Series 2001 –

The County of St. Clair, Michigan issued \$2,500,000 of Michigan Transportation Fund Notes, Series 2001, dated August 21, 2001 pursuant to the provision of Act 202 Public Acts of Michigan 1943, as amended. The Notes are issued in anticipation of and are payable from money derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 202.

Principal on the notes is due on August 1, 2005 through 2011 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 3.4% to 4.0%.

Accrued Sick and Vacation -

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payment for unused sick leave and vacation under formulas and conditions specified in the contracts. The dollar amount of these vested rights which has been accrued on the financial statements amounted to approximately \$156,233 for sick leave and \$192,767 for vacation at December 31, 2004.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 11 - LONG-TERM LIABILITIES – (cont'd):

The annual requirements to amortize long-term liabilities outstanding at December 31, 2004, except compensated absences, are as follows:

	<u>MTF Bonds-Series 1999</u>		<u>MTF Notes-Series 2001</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 355,000	\$ 208,208	\$ 250,000	\$ 66,124	\$ 879,332
2006	375,000	192,676	250,000	57,626	875,302
2007	390,000	176,270	250,000	48,874	865,144
2008	410,000	158,720	250,000	39,626	858,346
2009	430,000	140,270	250,000	30,000	850,270
2010-2014	<u>2,505,000</u>	<u>378,058</u>	<u>500,000</u>	<u>30,000</u>	<u>3,413,058</u>
	<u>\$ 4,465,000</u>	<u>\$1,254,202</u>	<u>\$1,750,000</u>	<u>\$ 272,250</u>	<u>\$7,741,452</u>

NOTE 12 – EMPLOYEE PENSION PLAN:

Plan Description

The St. Clair County Road Commission, as a component unit of St. Clair County, participates in the St. Clair County Retirement System. The Retirement system is a single employer, defined benefit pension plan, which was established by County ordinance in 1964 to provide retirement and pension benefits for substantially all employees of St. Clair County and the St. Clair County Community Mental Health Authority. The system is administered, managed and operated by a Board composed of 9 trustees, which is composed of the Chairperson of the Board of Commissioners, Chairperson of the St. Clair County Road Commission Board, one appointed citizen, one elected by the Community Mental Health Authority Board and four elected employees. The benefit provisions are governed by Michigan Public Act of 1984, as amended. The plan may be amended by the County Board of Commissioners.

The County issues publicly available annual financial statements that includes financial statements for the plan. That report may be obtained from St. Clair County by writing to the Administrator/Controllers office, 200 Grand River, Port Huron, Michigan 48060 or by calling (810) 989-6900.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 12 – EMPLOYEE PENSION PLAN – (cont'd):

Funding Policy

The obligation to contribute to and maintain the retirement system for the employees was established by negotiations with the County collective bargaining units and by personnel policy for non-represented employees. The County is required to contribute at an actuarially determined amount, which for 2004, was 3.52% of annual covered payroll. Plan members are required to contribute 5% of their annual covered salary. The contribution requirement of a plan member and the County are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners.

Annual Pension Costs

During the year ended December 31, 2004, the Road Commission's annual pension cost of \$197,717 was equal to the Road Commission's required and actual contributions.

The required contribution rate was determined as part of the December 31, 2002 actuarial valuation using the individual entry age normal cost method. The actuarial assumption included (a) 7.5% net investment rate of return, and (b) project salary increases of 5% to 8.7% per year, which includes pay inflation at 5.0%. There are no projected cost of living adjustments. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the market value of investment over a five year period. The St. Clair County unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed period, with a remaining amortization period as of December 31, 2002 of 18 years for liabilities created by plan changes, assumption changes or method changes. There is no unfunded accrued liability.

Three-Year Trend Information

Fiscal Year Ending	Road Annual Pension Costs (ARC)	Percentage of APC Contribution	Net Pension Obligation
December 31, 2001	\$ -	100 %	\$ -
December 31, 2002	-	100	-
December 31, 2003	-	100	-

NOTE 13 – POSTEMPLOYMENT BENEFITS:

St. Clair County provides retirement benefits for substantially all employees of the County, including employees of the St. Clair County Road Commission. Postemployment benefits consist of Blue Cross and Blue Shield, dental and prescription drug coverage.

The employees covered by the postemployment benefits and membership are the same as noted for the basic retirement plan (Note 12). In general all employees are eligible for postemployment benefits. At December 31, 2003, 833 employees were active in the plan.

The County makes contributions based on actuarially determined rates. Members of the system are not required to make contributions for these postemployment benefits.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 13 – POSTEMPLOYMENT BENEFITS – (cont’d):

Contribution and Funding Policy -

The County’s funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The Plan requires no member contributions.

The required contribution rate was determined as part of the December 31, 2002 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 7.5% net investment rate of return, (b) projected salary increases of 5% per year, and (c) projected health care premium increases of 5% to 10% per year.

During the year ended December 31, 2004, employer contributions of \$532,405 were made by the Road Commission. Employer contributions represented 9.48% of covered payroll. The actuarial valuation dated December 31, 2002 determined a contribution rate of 28.96% of covered payroll.

The present value of health benefits and the unfunded accrued liability at December 31, 2003 were \$24,914,968 and \$89,945,736, respectively.

NOTE 14 - DESIGNATED FUND BALANCE:

The Road Commission Fund Balance at December 31, 2004, has been designated as follows:

Primary Construction and Heavy Maintenance	\$ 580,951
Local Road Engineering	160,623
County critical bridge program - uncommitted	188,462
Township match money - unused County share	361,237
Liability claims deductible	200,000
Equipment purchases	154,988
Local Road Funding Assistance program	<u>308,586</u>
	<u>\$ 1,954,847</u>

NOTE 15 - SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES:

In the normal course of its operations, the St. Clair County Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission’s legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission’s liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 16 - RISK MANAGEMENT:

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop-loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Association Self Insurance Fund for workers' compensation insurance. The Fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The Fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Fund.

The Road Commission became self-insured for health care benefits during 2004. The administrative services for the self-insured program are performed by the health insurance company. The Road Commission makes monthly payments, based on estimated claims and a stop-loss provision, which are adjusted quarterly.

The Road Commission has estimated accrued health care claims in excess of the last quarter payments, including an estimate for claims incurred but not reported (IBNR), of \$62,000 at December 31, 2004, which has been accrued on the statement of Net Assets.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 17 - EQUIPMENT OPERATIONS EXPENDITURE/EXPENSE BALANCE:

The Road Commission in compliance with the Uniform Accounting Procedures Manual for Michigan County Road Commissions charges rental on Road Commission equipment used for various construction and maintenance projects performed by the Road Commission. The cost for this rental for 2004 is based on either a rental rate per hour established by the Michigan Department of Transportation or the actual costs per hour from 2003 date, multiplied by rental hours, is reported as an expenditure in the various maintenance activities. An expenditure credit is reported as an offset against the equipment expenditure activities. Accordingly, the equipment rental does not affect total expenditures or the available operating equity of the Road Commission's General Operating Fund. The balance for the year ended December 31, 2004 is as follows:

	<u>Governmental Fund</u>	<u>Statement of Activities</u>
Equipment –		
Direct	\$ 1,971,907	\$ 1,021,760
Indirect	1,117,381	1,011,460
Operating	<u>323,262</u>	<u>323,262</u>
	3,412,550	2,356,482
Less-equipment rental	<u>(2,811,832)</u>	<u>(2,811,832)</u>
	<u>\$ 600,718</u>	<u>\$ (455,350)</u>

NOTE 18 – CAPITAL OUTLAY EXPENDITURE CREDIT BALANCE:

On the governmental fund financial statements, the Road Commission reports a depreciation credit as an offset to capital outlay as a result of charging depreciation to various expenditure accounts as explained in Note 1. Retirements are also reported as a credit against capital outlay. The credit balance of \$98,088 is the result of the amount of depreciation and retirements exceeding capital outlay expenditures for the year ended December 31, 2004 as follows:

Capital Outlay –	
Land improvements, building and equipment	\$ 1,054,188
Less – depreciation/depletion	(1,152,095)
- retirements	<u>(181)</u>
	<u>\$ (98,088)</u>

SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

DETAIL SCHEDULE OF REVENUES AND OTHER SOURCES
GENERAL OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Revenues:		
Permits	\$ 178,579	\$ 157,974
Federal Sources -		
Federal aid urban	612,329	329,663
Federal aid bridge	11,271	401,373
C funds	-	728,057
D funds	19,030	-
Other FEMA	681	-
	<u>643,311</u>	<u>1,459,093</u>
State Sources -		
Motor Vehicle Highway Funds - Act 51 -		
Engineering	10,000	10,000
Primary roads	7,860,713	7,264,124
Local roads	3,445,032	3,306,892
Michigan Economic Development	-	375,000
State critical bridge	2,113	75,257
Others	6,555,462	-
	<u>17,873,320</u>	<u>11,031,273</u>
Local Sources -		
Township contributions - match money	1,901,702	1,832,494
County appropriations	700,000	870,292
Other contributions	3,115,771	2,871,136
	<u>5,717,473</u>	<u>5,573,922</u>
Charges for Services -		
Trunkline maintenance	3,247,358	2,817,407
Trunkline nonmaintenance	292,183	330,845
Salvage sales	5,096	3,646
Subdivisions	15,275	30,290
	<u>3,559,912</u>	<u>3,182,188</u>
Interest and rents	<u>59,113</u>	<u>58,212</u>
Other -		
Gain on equipment disposal	65,265	44,660
Sundry refunds	22,765	15,831
Other	51,472	39,027
	<u>139,502</u>	<u>99,518</u>
Total Revenues	<u>\$ 28,171,210</u>	<u>\$ 21,562,180</u>

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

DETAIL SCHEDULE OF EXPENDITURES
GENERAL OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Expenditures:		
Construction -		
Primary roads and structures	\$ 6,096,293	\$ -
Local roads and structures	1,722,789	1,170,457
Other Non-motorized	47,478	-
	<u>7,866,560</u>	<u>1,170,457</u>
Heavy Maintenance -		
Primary roads and structures	3,637,983	4,528,939
Local roads and structures	1,602,373	2,296,246
	<u>5,240,356</u>	<u>6,825,185</u>
Maintenance -		
Primary roads and structures, winter and traffic control	3,538,907	3,981,588
Local roads and structures, winter and traffic control	4,936,180	5,082,749
	<u>8,475,087</u>	<u>9,064,337</u>
State Maintenance -		
Trunkline maintenance	3,220,471	2,817,407
Trunkline nonmaintenance	292,183	330,845
	<u>3,512,654</u>	<u>3,148,252</u>
Administrative -		
Administration	1,175,948	1,560,585
Less - handling	(8,041)	(5,998)
- overhead	(275,731)	(260,979)
- purchase discounts	(6,803)	(927)
- other administrative credit	(233,659)	(277,776)
	<u>651,714</u>	<u>1,014,905</u>
Equipment -		
Direct	1,971,907	1,793,241
Indirect	1,117,381	772,760
Operating	323,262	268,444
Less - equipment rental	(2,811,832)	(3,034,112)
	<u>600,718</u>	<u>(199,667)</u>
Other -		
Services	1,054,195	994,154
Bike Paths	-	233,098
	<u>1,054,195</u>	<u>1,227,252</u>
Capital Outlay -		
Land improvements, building and equipment	1,054,188	972,152
Less - depreciation	(1,152,095)	(1,072,560)
- retirements	(181)	(1,395)
	<u>(98,088)</u>	<u>(101,803)</u>
Debt Service -		
Principal retirement	590,000	570,000
Interest and fiscal charges	300,033	329,033
	<u>890,033</u>	<u>899,033</u>
Total Expenditures	<u>\$ 28,193,229</u>	<u>\$ 23,047,951</u>

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BY FUND BALANCE SUB-ACCOUNTS
GENERAL OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Primary	Local	County	Total
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 178,579	\$ 178,579
Intergovernmental -				
Federal Sources	642,630	-	681	643,311
State Sources	14,425,256	3,448,064	-	17,873,320
Local Sources	-	4,106,443	1,611,030	5,717,473
Charges for Services	-	-	3,559,912	3,559,912
Interest & rents	-	-	59,113	59,113
Other	-	-	139,502	139,502
Total Revenues	<u>15,067,886</u>	<u>7,554,507</u>	<u>5,548,817</u>	<u>28,171,210</u>
Expenditures:				
Construction	6,096,293	1,770,267	-	7,866,560
Heavy Maintenance	3,637,983	1,602,373	-	5,240,356
Maintenance	3,538,907	4,936,180	-	8,475,087
Other -				
Trunkline maintenance	-	-	3,220,471	3,220,471
Trunkline nonmaintenance	-	-	292,183	292,183
Administrative - net	400,812	250,902	-	651,714
Equipment - net	162,014	243,231	195,474	600,718
Other	-	-	105,419	1,054,195
Capital outlay - net	-	-	(98,088)	(98,088)
Debt principal	-	-	590,000	590,000
Interest	-	-	300,033	300,033
Total Expenditures	<u>13,836,008</u>	<u>8,802,953</u>	<u>5,554,268</u>	<u>28,193,229</u>
Excess of revenues over (under) expenditures before optional transfers	1,231,878	(1,248,446)	(5,451)	(22,019)
Optional transfers	<u>(1,231,878)</u>	<u>1,231,878</u>	<u>-</u>	<u>-</u>
Excess of revenues under expenditures after optional transfers	-	(16,568)	(5,451)	(22,019)
Fund Balance at January 1, 2004	-	-	6,192,479	6,192,479
Interfund adjustments	<u>-</u>	<u>16,568</u>	<u>(16,568)</u>	<u>-</u>
Fund Balance at December 31, 2004	<u>-</u>	<u>-</u>	<u>\$ 6,170,460</u>	<u>\$ 6,170,460</u>

SECTION THREE: STATISTICAL SECTION

The Statistical Tables present comparative data for the government-wide revenues and expenses, general history of revenues and expenditures, the history of maintenance expenditures, capital outlay, long-term liabilities, township projects and miscellaneous statistics. These tables were presented because they are representative of the Road Commission activity and are the statistics commonly needed to compare Road Commission operations, capital outlay and debt service among years. All economic and statistical data was obtained from records of the St. Clair County Road Commission.

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

**GOVERNMENT-WIDE
REVENUES BY SOURCE
YEARS ENDED 2002 Through 2004
(UNAUDITED)**

<u>Year Ended</u>	<u>Permits</u>	<u>Federal Sources</u>	<u>State Sources</u>	<u>Local Sources</u>	<u>Charges for Services</u>	<u>Interest and Rents</u>	<u>Other</u>	<u>Total Revenue</u>
2002	\$ 173,556	\$ 1,072,789	\$12,361,297	\$ 6,185,116	\$ 3,116,598	\$ 116,747	\$ 206,324	\$ 23,234,429
2003	157,974	1,459,093	11,031,273	5,640,496	3,182,188	58,212	99,518	21,628,754
2004	178,579	643,311	17,873,320	5,737,073	3,559,912	59,113	139,502	28,190,810

Table 1

**GOVERNMENT-WIDE
OPERATING EXPENSES BY ACTIVITY
YEAR ENDED 2002 Through 2004
(UNAUDITED)**

<u>Year Ended</u>	<u>Maintenance</u>	<u>State Maintenance</u>	<u>Administrative</u>	<u>Equipment</u>		<u>Depreciation</u>	<u>Other</u>	<u>Total</u>
				<u>Expense</u>	<u>Rental</u>			
2002	\$ 9,064,255	\$ 3,261,770	\$ 917,488	\$ 1,715,189	\$ (2,917,171)	\$ 5,538,881	\$ 1,939,090	\$ 19,519,502
2003	9,143,425	3,148,252	955,844	1,826,895	(3,034,112)	4,749,890	1,228,519	18,018,713
2004	8,453,826	3,512,654	585,446	2,356,482	(2,811,832)	4,838,033	1,120,917	18,055,526

Note: The expenses reported above include the current operating expenses of the Road Commission.
Expenses for debt service interest have been excluded from all years.

Table 2

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

GENERAL GOVERNMENT
REVENUES BY SOURCE
YEARS ENDED 1995 THROUGH 2004
(UNAUDITED)

<u>Year Ended</u>	<u>Permits</u>	<u>Federal Sources</u>	<u>State Sources</u>	<u>Local Sources</u>	<u>Charges for Services</u>	<u>Interest and Rents</u>	<u>Other</u>	<u>Total Revenue</u>
1995	\$ 100,902	\$ 829,596	\$ 8,439,188	\$ 2,170,813	\$ 2,993,158	\$ 124,621	\$ 154,229	\$ 14,812,507
1996	161,005	1,994,397	7,932,018	3,000,937	2,775,734	170,819	207,843	16,242,753
1997	134,212	399,065	10,623,711	3,946,897	3,293,088	200,088	74,303	18,671,364
1998	160,994	266,814	10,318,806	2,910,446	2,469,929	251,999	94,131	16,473,119
1999	125,704	1,044,872	10,685,333	2,446,698	2,960,208	402,128	220,806	17,885,749
2000	137,321	1,635,759	10,718,440	3,116,469	3,444,000	494,515	155,931	19,702,435
2001	152,685	1,271,621	9,943,146	2,873,841	2,810,944	334,704	209,423	17,596,364
2002	173,556	1,072,789	12,361,297	5,983,849	3,116,598	116,747	206,324	23,031,160
2003	157,974	1,459,093	11,031,273	5,573,922	3,182,188	58,212	99,518	21,562,180
2004	178,579	643,311	17,873,320	5,717,473	3,559,912	59,113	139,502	28,171,210

Table 3

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

GENERAL GOVERNMENT
OPERATING EXPENDITURES BY ACTIVITY
YEARS ENDED 1995 THROUGH 2004

(UNAUDITED)

<u>Year Ended</u>	<u>Construction</u>	<u>Heavy Maintenance</u>	<u>Maintenance</u>	<u>State Maintenance</u>	<u>Administration</u>	<u>Equipment(net)</u>	<u>Other</u>	<u>Total Operating Expenditures</u>
1995	\$ -	\$ 4,991,338	\$ 5,743,014	\$ 3,044,375	\$ 631,218	\$ (18,677)	\$ 137,310	\$ 14,528,578
1996	301,004	4,680,598	6,252,613	2,766,456	1,065,152	(188,827)	1,123,493	16,000,489
1997	135,485	7,383,211	6,070,743	3,360,960	819,547	(139,779)	785,618	18,415,785
1998	226,462	3,321,931	7,180,921	2,410,102	921,352	(219,622)	680,592	14,521,738
1999	62,181	10,040,544	7,903,896	2,914,593	990,004	(269,067)	615,441	22,257,592
2000	-	5,967,588	9,051,317	3,408,791	873,525	(297,022)	741,771	19,745,970
2001	-	8,356,443	7,214,145	2,915,349	1,160,256	(99,812)	910,274	20,456,655
2002	-	9,389,497	9,073,955	3,259,514	982,218	(200,907)	1,941,790	24,446,067
2003	1,170,457	6,825,185	9,064,337	3,148,252	1,014,905	(199,667)	1,227,252	22,250,721
2004	7,866,560	5,240,356	8,475,087	3,512,654	651,714	600,718	1,054,195	27,401,284

Note: The expenditures reported above include the current operating expenditures of the Road Commission.
Expenditures for capital outlay and debt service have been excluded from all years.

Table 4

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

**HEAVY MAINTENANCE EXPENDITURES BY
COUNTY ROAD PERSONNEL AND CONTRACTORS**

**YEARS ENDED 1995 THROUGH 2004
(UNAUDITED)**

	Performed by County Road		Performed by Contractors		Total	
	Primary	Local	Primary	Local	Primary	Local
1995	\$ 751,126	\$ 675,353	\$ 2,664,887	\$ 899,972	\$ 3,416,013	\$ 1,575,325
1996	496,767	579,243	2,773,714	830,874	3,270,481	1,410,117
1997	447,489	616,497	3,914,438	2,404,787	4,361,927	3,021,284
1998	586,552	328,263	2,042,751	364,365	2,629,303	692,628
1999	823,124	923,508	7,431,133	862,779	8,254,257	1,786,287
2000	640,098	658,551	3,744,799	1,413,589	4,384,897	2,072,140
2001	904,021	633,609	5,818,265	1,000,548	6,722,286	1,634,157
2002	873,396	740,466	5,437,540	2,338,095	6,310,936	3,078,561
2003	641,268	537,208	3,887,671	1,759,038	4,528,939	2,296,246
2004	528,669	575,332	3,109,314	1,027,041	3,637,983	1,602,373

Table 5

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

**MAINTENANCE EXPENDITURES BY
COUNTY ROAD PERSONNEL AND CONTRACTORS**

**YEARS ENDED 1995 THROUGH 2004
(UNAUDITED)**

	Performed by County Road		Performed by Contractors		Total	
	Primary	Local	Primary	Local	Primary	Local
1995	\$ 2,144,754	\$ 2,194,686	\$ 357,568	\$ 1,046,006	\$ 2,502,322	\$ 3,240,692
1996	2,191,319	2,528,886	474,167	1,058,241	2,665,486	3,587,127
1997	2,263,373	2,541,552	222,579	1,043,239	2,485,952	3,584,791
1998	2,674,544	3,025,712	505,452	975,213	3,179,996	4,000,925
1999	3,117,305	3,084,009	654,199	1,048,383	3,771,504	4,132,392
2000	3,243,165	3,295,665	819,767	1,203,330	4,062,932	4,498,995
2001	2,290,367	3,237,059	541,660	1,145,059	2,832,027	4,382,118
2002	3,046,348	1,742,865	850,984	3,433,758	3,897,332	5,176,623
2003	3,174,568	3,808,430	807,020	1,274,319	3,981,588	5,082,749
2004	2,852,464	3,716,508	686,443	1,219,672	3,538,907	4,936,180

Table 6

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

NET CAPITAL OUTLAY
YEARS ENDED 1995 THROUGH 2004
(UNAUDITED)

	Land Improvements Building and Equipment	Less Depreciation	Less Retirements	Net Capital Outlay
1995	\$ 660,373	\$ (644,822)	\$ (646)	\$ 14,905
1996	844,816	(683,145)	(49)	161,622
1997	710,052	(715,498)	(321)	(5,767)
1998	708,344	(755,636)	(1,733)	(49,025)
1999	1,216,645	(853,894)	-	362,751
2000	876,978	(910,814)	(2,813)	(36,649)
2001	1,128,515	(901,729)	(40,250)	186,536
2002	1,343,162	(1,062,708)	(685)	279,769
2003	972,152	(1,072,560)	(1,395)	(101,803)
2004	1,054,188	(1,152,095)	(181)	(98,088)

Table 7

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

CAPITAL OUTLAY
2004 EQUIPMENT PURCHASES

The St. Clair County Road Commission has 950 pieces of maintenance, construction and radio equipment at a total value of \$10,478,874. There are 246 pieces of shop equipment with a value of \$615,240. A Shop Foreman is responsible for specifications, purchasing, maintenance and disposal of all equipment.

Mechanics are assigned to all districts. The Avoca, Capac and Marine City districts have one mechanic each; the St. Clair district, where all major repairs are made, has three mechanics, two welders, one tireman, and three plant maintenance men.

The method used to determine equipment replacement is based on a rating system with credits given to the percent of direct repair cost to purchase price, age, and condition.

The following new road equipment was purchased during 2004 at a cost of \$931,985:

<u>Equipment Description</u>	<u>Purchase Price</u>
1 Motor Grader	\$ 148,491
3 Tractors	151,816
4 Pickup Trucks	99,961
2 Tandem Axle Truck Improvements	83,980
1 Loader	81,500
2 Single Axle Truck Improvements	79,876
1 Tandem Axle Truck	78,600
4 Mowing Equipment	64,837
1 Hot Rubber Machine	31,989
1 Chipper	26,850
4 Arrow Sticks	25,132
1 Crash Attenuator	11,764
2 Plows	11,000
1 De-Icing Unit	10,875
Other Miscellaneous Equipment	25,314
Total	<u><u>\$ 931,985</u></u>

Table 8

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

LONG-TERM LIABILITIES

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
LONG-TERM LIABILITIES TO MOTOR VEHICLE HIGHWAY FUNDS - ACT 51**

**YEARS ENDED 1995 THROUGH 2004
(UNAUDITED)**

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Motor Vehicle Highway Funds Act 51</u>	<u>Ratio of Debt Service to MVHF - Act 51</u>
1995	\$ 295,948	\$ 139,656	\$ 435,604	\$ 7,669,075	5.68%
1996	277,399	111,808	389,207	7,217,951	5.39%
1997	287,172	83,813	370,985	8,179,000	4.54%
1998	315,611	54,165	369,776	9,434,291	3.92%
1999	347,242	50,919	398,161	9,473,656	4.20%
2000	280,000	275,664	555,664	9,950,922	5.58%
2001	290,000	263,414	553,414	9,964,871	5.55%
2002	555,000	357,376	912,376	10,013,932	9.11%
2003	570,000	329,033	899,033	10,571,016	8.50%
2004	590,000	300,033	890,033	11,305,745	7.87%
Total	<u>\$ 3,808,372</u>	<u>\$ 1,965,881</u>	<u>\$ 5,774,253</u>	<u>\$ 93,780,459</u>	<u>6.16%</u>

Note:

(1) Motor Vehicle Highway Funds - Act 51, represent the amount received from the State of Michigan as the distribution of gas and weight taxes that have been designated for Primary and Local Road expenditures. The amount, however, does not include an amount of \$10,000 per year in Motor Vehicle Highway Fund - Act 51 which has been designated for engineering expenditures.

Table 9

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

LONG-TERM LIABILITIES

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
LONG-TERM LIABILITIES TO TOTAL OPERATING EXPENDITURES**

**YEARS ENDED 1995 THROUGH 2004
(UNAUDITED)**

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Operating Expenditures</u>	<u>Ratio of Debt Service to Total Operating Expenditures</u>
1995	\$ 295,948	\$ 139,656	\$ 435,604	\$ 14,528,578	3.00%
1996	277,399	111,808	389,207	16,000,489	2.43%
1997	287,172	83,813	370,985	18,415,785	2.01%
1998	315,611	54,165	369,776	14,521,738	2.55%
1999	347,242	50,919	398,161	22,257,592	1.79%
2000	280,000	275,664	555,664	19,745,970	2.81%
2001	290,000	263,414	553,414	20,456,655	2.71%
2002	555,000	357,376	912,376	24,446,067	3.73%
2003	570,000	329,033	899,033	22,250,721	4.04%
2004	590,000	300,033	890,033	27,401,284	3.25%
Total	<u>\$ 3,808,372</u>	<u>\$ 1,965,881</u>	<u>\$ 5,774,253</u>	<u>\$ 200,024,879</u>	<u>2.89%</u>

Notes:

- (1) Operating Expenditures do not include expenditures for Capital Outlay as well as Debt Service.
- (2) In 1999 the Road Commission (County of St. Clair) issued \$6,000,000 in Michigan Transportation Fund Bonds dated June 1, 1999. Principal and interest payments are due through August 1, 2014.
- (3) In 2001 the Road Commission (County of St. Clair) issued \$2,500,000 of Michigan Transportation Fund Notes, Series 2001, dated August 21, 2001. Principal and interest payments are due through August 1, 2011.

Table 10

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

2004 CONSTRUCTION AND HEAVY MAINTENANCE
EXPENDITURES BY TOWNSHIP

(UNAUDITED)

<u>Township</u>	<u>Construction</u>	<u>Heavy Maintenance</u>	<u>Total</u>
Berlin	\$ 140,515	\$ 1,556	\$ 142,071
Brockway	-	1,864	1,864
Burtchville	-	706	706
Casco	-	3,985	3,985
China	47,478	144,678	192,156
Clay	-	278,068	278,068
Clyde	-	206,687	206,687
Columbus	-	36,931	36,931
Cottrellville	-	267,674	267,674
East China	-	1,146	1,146
Emmett	-	-	-
Fort Gratiot	655,000	2,041	657,041
Grant	-	49,142	49,142
Greenwood	-	535	535
Ira	-	35,219	35,219
Kenockee	-	24,577	24,577
Kimball	-	252,721	252,721
Lynn	-	10,994	10,994
Mussey	-	519	519
Port Huron	-	210,350	210,350
Riley	-	6,173	6,173
St. Clair	927,274	60,246	987,520
Wales	-	6,561	6,561
	<u>-</u>	<u>6,561</u>	<u>6,561</u>
Totals	<u>\$ 1,770,267</u>	<u>\$ 1,602,373</u>	<u>\$ 3,372,640</u>

Table 11

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

2004 BERM MONEY EXPENDITURES

(UNAUDITED)

Township	Unpaid Balance 12/31/03	2004 Expenditures	County Share	Township Share	Township Payments	Unpaid Balance 12/31/04	2004 Unused County Share
Berlin	\$ -	\$ 2,663	\$ 685	\$ 1,977	\$ 1,977	\$ -	\$ 16,657
Brockway	-	-	-	-	-	-	7,063
Burtchville	-	-	-	-	-	-	-
Casco	6,697	3,827	1,913	1,913	6,697	1,913	7,031
China	4,931	11,775	5,887	5,887	4,931	5,887	12,039
Clay	10,048	24,158	12,079	12,079	10,048	12,079	10,919
Clyde	7,824	-	-	-	7,824	-	17,907
Columbus	-	-	-	-	-	-	-
Cottrellville	3,075	7,804	1,217	6,587	3,075	6,587	12,079
East China	-	4,516	2,258	2,258	-	2,258	6,615
Emmett	-	-	-	-	-	-	7,103
Fort Gratiot	-	-	-	-	-	-	-
Grant	-	9,560	4,780	4,780	-	4,780	21,905
Greenwood	-	1,378	689	689	-	689	12,651
Ira	-	20,348	9,912	10,436	3,685	6,751	1,334
Kenockee	-	14,915	7,457	7,457	-	7,457	364
Kimball	-	-	-	-	-	-	14,137
Lynn	-	-	-	-	-	-	-
Mussey	-	-	-	-	-	-	14,716
Port Huron	-	-	-	-	-	-	25,610
Riley	-	377	76	301	301	-	-
St. Clair	-	-	-	-	-	-	22,965
Wales	-	-	-	-	-	-	-
Totals	<u>\$ 32,575</u>	<u>\$ 101,320</u>	<u>\$ 46,955</u>	<u>\$ 54,365</u>	<u>\$ 38,538</u>	<u>\$ 48,402</u>	<u>\$ 211,093</u>

Table 12

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

2004 MATCH MONEY EXPENDITURES

(UNAUDITED)

Township	Unpaid Balance 12/31/03	2004 Expenditures	County Share	Township Share	Township Payments	Unpaid Balance 12/31/04	2004 Unused County Share
Berlin	\$ 37,625	\$ 93,637	\$ 30,198	\$ 63,439	\$ 97,446	\$ 3,619	\$ -
Brockway	73,540	107,879	24,722	83,157	153,824	2,873	-
Burtchville	1,356	122,388	53,303	69,084	49,841	20,600	-
Casco	-	151,797	40,320	111,477	111,477	-	-
China	74,970	315,806	31,293	284,513	359,435	49	-
Clay	122,977	190,675	40,352	150,323	184,713	88,586	-
Clyde	180,102	112,657	31,104	81,553	248,089	13,567	-
Columbus	15,474	102,814	42,551	60,263	71,314	4,422	-
Cottrellville	-	41,470	20,735	20,735	10,524	10,211	22,138
East China	2,900	14,483	7,241	7,241	9,881	260	8,309
Emmett	3,489	79,191	39,596	39,595	41,946	1,139	9,351
Fort Gratiot	1,459	98,087	49,044	49,044	46,803	3,699	20,401
Grant	74,601	111,572	22,907	88,665	141,578	21,688	-
Greenwood	49,392	128,515	23,356	105,159	148,650	5,902	-
Ira	3,533	22,191	11,096	11,096	13,396	1,232	33,708
Kenockee	97,038	152,427	27,374	125,053	186,319	35,773	-
Kimball	30,536	209,943	49,480	160,463	171,783	19,216	-
Lynn	-	54,683	27,342	27,342	25,404	1,938	32,305
Mussey	17,435	74,114	37,057	37,057	49,234	5,258	12,378
Port Huron	20,154	227,599	107,383	120,216	33,143	107,227	-
Riley	-	110,552	49,954	60,598	34,056	26,543	-
St. Clair	12,315	96,028	40,123	55,905	55,587	12,633	-
Wales	15,062	70,262	35,131	35,131	46,269	3,924	11,555
Totals	<u>\$ 833,960</u>	<u>\$ 2,688,770</u>	<u>\$ 841,661</u>	<u>\$ 1,847,110</u>	<u>\$ 2,290,711</u>	<u>\$ 390,358</u>	<u>\$ 150,144</u>

Table 13

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

2004 LOCAL ROAD IMPROVEMENT PROGRAM
MATCH MONEY QUANTITIES

(UNAUDITED)

Township	Aggregate Surfacing & Patching (Tons)	Roadside Ditching (Miles)	Dust Layers (Gallons)	Sealcoat & Slurry Seal (Sq. Yd.)	Bituminous Surfacing (Miles)	Culvert Projects (Number)	Total Expenditures
Berlin	2,987.52	0.60	189,700	-	-	1	\$ 93,637
Brockway	5,544.03	-	284,550	-	-	0	107,879
Burtchville	4,942.76	0.48	57,200	-	-	2	122,388
Casco	8,418.21	-	113,472	-	-	0	151,797
China	19,950.01	-	213,256	-	-	0	315,806
Clay	-	-	25,250	46,896	1.07	2	190,675
Clyde	5,991.57	-	105,715	-	-	0	112,657
Columbus	7,267.66	0.25	89,400	-	-	1	102,814
Cottrellville	1,979.99	-	99,100	-	-	0	41,470
East China	-	-	8,600	-	-	0	14,483
Emmett	4,650.77	-	77,400	-	-	6	79,191
Fort Gratiot	2,516.01	0.04	34,716	24,649	-	0	98,087
Grant	6,818.84	1.06	151,300	-	-	0	111,572
Greenwood	7,770.37	0.09	197,900	-	-	3	128,515
Ira	195.26	-	56,910	-	-	0	22,191
Kenockee	4,782.14	1.33	193,400	-	-	3	152,427
Kimball	12,198.83	1.12	144,190	-	-	3	209,943
Lynn	4,342.06	-	84,000	-	-	4	54,683
Mussey	3,880.22	0.62	82,300	-	-	2	74,114
Port Huron	758.86	0.18	14,688	-	-	0	227,599
Riley	4,548.15	0.61	206,985	-	-	11	110,552
St. Clair	4,861.02	-	171,700	-	-	0	96,028
Wales	3,636.99	-	103,500	-	-	2	70,262
Totals	118,041.27	6.38	2,705,232	71,545	1.07	40	\$ 2,688,770

Note: Total Expenditures includes miscellaneous work such as construction, guardrail, mowing, bump burning, street signs, seal patching, roadside spraying, etc.

Table 14

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

MISCELLANEOUS STATISTICS
DESCRIPTION OF INSURANCE COVERAGE IN FORCE
YEARS ENDED 1995 THROUGH 2004
(UNAUDITED)

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop-loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors and omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Association Self-Insurance Fund for workers' compensation self-insurance. The Pool is a municipal self-insurance entity operating within the laws of the State of Michigan. The Pool has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Pool. This program is administered by a service agency which furnishes claims review and claims processing.

The Road Commission became self-insured for health care benefits during 2004. The administrative services for the self-insured program are performed by the health insurance company. The Road Commission makes monthly payments based on estimated claims and a stop-loss provision which are adjusted quarterly.

ST. CLAIR COUNTY ROAD COMMISSION
St. Clair County, Michigan

MISCELLANEOUS STATISTICS
OTHER STATISTICS
DECEMBER 31, 2004
(UNAUDITED)

Form of Government

The County's legislative body is a three-member Board of Commissioners appointed by the St. Clair County Board of Commissioners. The members are appointed to six-year terms, staggered so that one term expires every two years. The Board annually elects from within its ranks a Chairperson and Vice-Chairperson by majority vote.

Location

St. Clair County consists of approximately 700 square miles with approximately 164,000 residents and is located in the lower eastern portion of Michigan's Lower Peninsula. The County seat, the City of Port Huron, is located about sixty miles north of Detroit, Michigan.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board of County Road
Commissioners of St. Clair County
St. Clair, Michigan

We have audited the financial statements of the St. Clair County Road Commission as of and for the year ended December 31, 2004, and have issued our report thereon, dated February 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financing Reporting

In planning and performing our audit, we considered St. Clair County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Clair County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of County Road Commissioners of St. Clair County, Michigan and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

February 11, 2005